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SUBJECT: iPod City - Consular Outreach to Foxconn in Shenzhen.

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11. (SBU) SUMMARY: Conoffs met with Foxconn executives August 25 to discuss ways in which we could work together to facilitate issuance of non-immigrant visas to the company's employees, the majority of whom - along with Foxconn's products - do not appear to be a Technology Alert List (TAL) concern. Foxconn is still sensitive to prior allegations in the British press that it is a sweat shop and would only allow Conoffs to visit a high-tech, very automated assembly line for LCD screens. The company, which is the largest contract manufacturer in the world with projected revenues for 2006 totaling USD 45 Billion, produces the iconic iPod as well as everything from LCD flat panel monitors to auto parts for Toyota. This is the second of three cables about the consular outreach trip to Shenzhen. END SUMMARY

Purpose - Corporate Outreach and Officer Education

12. (U) This visit was part of an outreach trip organized by entry level officers (ELOs) in consular positions to better understand the South China business environment, major corporations' operations in the region, and corporate needs for travel to the United States. Companies selected - Wal-Mart Global Procurement (ref A), Foxconn, and Shenzhen Mindray - provided officers with a perspective on industries in the area, including those engaged in retail procurement, electronics manufacturing, and medical devices. Additionally, the three companies have a large and growing number of visa applicants in Guangzhou. Foxconn is a Taiwan company with a fairly transparent corporate structure. It enjoys a very favorable relationship with the Chinese government because of the large number of jobs it has created and the tax revenue generated.

Foxconn - Factory or City, Hard to Say

13. (U) The sheer size of Foxconn's Longhua Campus is staggering. The company is currently the largest contract manufacturer in the world and the largest exporter in China. The 10-year old Longhua manufacturing campus in Shenzhen covers 850 acres, has 68 buildings with 15 additional buildings currently under construction, and supports an employee base of over 240,000 at this location alone. In addition to manufacturing facilities, the campus has dormitories for single factory workers and first-year engineers, a hospital,

numerous dining halls, banks, small shops, and recreational facilities.

14. (U) Conoffs and LES met with Vice President of Human Resources Dr. Jacob Chen and Vice President and General Factory Director Anderson Ho who asked a number of questions about visa requirements.

Responding to Conoffs' concerns about the lengthy stays of many Foxconn employees in the United States, Dr. Chen said that employees often needed to stay three-to-six months to create new product designs pre-production and to perform support staff training post-production. He further stated he would like to work with the Consulate to standardize documents the company HR staff could provide the company's applicants to assure Conoffs of employment claims and travel purposes.

15. (SBU) Still sensitive to claims made in mid-June in the British newspaper The Mail accusing Foxconn of running a sweatshop at its Longhua campus, Dr. Chen declined to show Conoffs the company's signature IPOD assembly line, opting instead to show them Foxconn's newest factory, a vast collection of clean rooms and robotics building LCD screens for use in everything from mobile phones to computer monitors. He proudly detailed Foxconn's plans to enter the LCD television manufacturing sector next year and commented that many of the buildings now under construction in Longhua were for that purpose. Conoffs suspect that he wanted to display a high-tech factory - staffed completely by college-educated engineers in clean suits working with robotic assembly lines - to avoid questions about labor practices. Dr. Chen mentioned that Foxconn still imports most of its high-tech manufacturing equipment from Japan and the United States.

16. (SBU) Conoffs also had a chance to see Longhua's testing center, a modern, high-tech facility that tests all products built in the Longhua campus's factories to ensure that products do not interfere

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with other devices or exceed noise requirements. Conoffs also were shown products, both boxed and unboxed, going through simulated and real tests to determine tolerance to being dropped, knocked over, and crushed. Dr. Chen offered Conoffs a chance to see Foxconn's worker dormitories but a tight schedule did not permit the inspection. Commenting on housing conditions, Dr. Chen said workers lived four-to-six to a room and all rooms were air conditioned and had a bathroom.

17. (SBU) Dr. Chen said that Foxconn only hired from the top 30 universities in China. Starting salaries for engineers with bachelor-degrees is RMB 2500-3000 (USD 312-375) per month, plus housing and medical benefits. Factory workers, whose average length of stay with the company is three years, are required to have a high school diploma and come primarily from the interior of China. To help retain its employees, Foxconn has training programs that can even lead to graduate and doctorate degrees from the prestigious Tsinghua University.

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Comment

18. (SBU) Foxconn's campus was clean and well organized. The town of Longhua around the factory campus, which used to be one of the more economically depressed in Shenzhen, is doing quite well due to the growing presence of Foxconn and its neighbor Huawei. Foxconn executives recognize that Longhua lacks space for expansion, so they are building additional facilities elsewhere in China and in Russia, India, and Brazil to ensure access to large amounts of low-cost labor and a pool of well educated engineering talent.

19. (SBU) Due to the technical nature of the company, Conoffs have in the past considered submitting visa Mantis SAOs for Foxconn employees. However, Foxconn is not generally a TAL concern. It is primarily involved in contract manufacturing of consumer electronics; most of its products are designed by other firms. There seemed to be very few items which could be of military dual-use concern.

